

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR AUTHORITY)	CASE NO. IPC-E-03-13
TO INCREASE ITS INTERIM AND BASE)	
RATES AND CHARGES FOR ELECTRIC)	NOTICE OF PROPOSED
SERVICE.)	SETTLEMENT
)	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	NOTICE OF VACATED
)	PREFILE DATES
)	
)	ORDER NO. 29567

After conducting public and technical hearings in Idaho Power Company's general rate case, the Commission issued Order No. 29505 on May 25, 2004. In Order No. 29505 the Commission ordered the Company to calculate its income tax expense using a five-year average. This adjustment reduced the Company's annual revenue requirement attributable to income tax expense by \$11,504,677 and prompted Idaho Power to seek reconsideration of this issue (as well as others).

In Order No. 29547 issued July 13, 2004, the Commission granted reconsideration on that portion of Order No. 29505 relating to the calculation of the income tax expense for revenue requirement purposes.¹ In anticipation of the technical hearing on reconsideration scheduled for September 10, 2004, Idaho Power and Commission Staff ("the Parties") entered in to settlement discussions that resulted in a Stipulation executed and filed August 16, 2004. The Parties also filed a Joint Motion requesting that the Commission accept the Parties' Settlement of the income tax expense issue.

In light of the time constraints on reconsideration imposed by *Idaho Code* § 61-626, the Commission gives notice of the settlement reached by Staff and the Company. We seek

¹ The Commission corrected a calculation error and denied reconsideration of the other issues.

comments from the public and other parties to the rate case about whether the Commission should adopt the settlement proposed by Idaho Power and Staff. The Commission also vacates the simultaneous prefile and rebuttal testimony filing deadlines set forth in its Notice of Scheduling issued August 2, 2004, but retains the September 10, 2004 hearing date in the event live testimony is needed.

NOTICE OF PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED that Idaho Power and Staff filed a Joint Motion for Acceptance of Settlement accompanied by a Stipulation with the Commission on August 16, 2004. The Parties agreed that Order No. 29505 should be modified to utilize statutory income tax rates to compute test year income tax expense. Applying the statutory rates results in a federal tax rate of 35% (net of state benefit, 32.795%) and a state tax rate of 6.3%. On a normalized basis, this change (if approved by the Commission) would increase Idaho Power's Idaho jurisdictional test year revenue requirement by \$11,504,677.

YOU ARE FURTHER NOTIFIED that for the period June 1, 2004 through May 31, 2005, the Company will compute and record monthly in a regulatory asset account an amount equal to the additional revenue the Company would have received through its energy rates if its revenue requirement had been determined using the statutory income tax rates rather than the five-year historic average income tax rates. The energy rate to be used to compute the additional monthly revenue to be recorded in the regulatory asset account will be determined in accordance with the formula:

$$\frac{a}{b} = c$$

Where:

a = \$11,504,667 (normalized increased revenue)

b = 12,476,747 MWh (normalized Idaho jurisdictional energy sales adjusted for load growth of 3.14% per year)

c = \$0.92209/MWh

The monthly entry in the regulatory asset account will be computed by multiplying actual MWh sales during the month by \$0.92209/MWh. The total amount recovered will include

interest on the regulatory asset from June 1, 2004 at the PCA carrying charge rate, which is currently one percent (1%). Exhibit 1 to the Settlement Stipulation shows how the regulatory asset will be accrued assuming normalized Idaho jurisdictional sales levels would occur. To effectuate the deferral, the Parties propose a series of accounting entries that are detailed in the Stipulation.

YOU ARE FURTHER NOTIFIED that in addition to the recovery of the income tax expense for the June 1, 2004 through May 31, 2005 period described above, \$11,504,677 will be included in the Company's base rates for ongoing recovery after June 1, 2005.

YOU ARE FURTHER NOTIFIED that the Company will not seek to recover in its revenue requirement any deficiency assessed by the Internal Revenue Service related to the one-time adjustment associated with the capitalized overhead cost tax method change for the years 1987 through 2000.

YOU ARE FURTHER NOTIFIED that the Parties recommend that the Commission accept this Stipulation without material change or condition. The Parties ask that the Stipulation be entered into the record in this proceeding and no party shall oppose its adoption or appeal any portion of this Stipulation if the Stipulation is subsequently approved by the Commission without material change.

YOU ARE FURTHER NOTIFIED that the Parties agree that the Stipulation is in the public interest and that all terms of the Stipulation are fair, just and reasonable. The Parties support adoption of the Stipulation and acceptance of the Stipulation by the Commission with the intention that settlement will allow Idaho Power to continue its compliance with the normalization provisions of the Internal Revenue Code and associated Treasury Regulations, and will allow Idaho Power to continue to obtain the benefits of accelerated depreciation.

YOU ARE FURTHER NOTIFIED that the Settlement Stipulation in Case No. IPC-E-03-13 together with accompanying motion and exhibit can be reviewed at the Commission's office and at the principal office of Idaho Power Company during regular business hours. Idaho Power Company is located at 1221 West Idaho Street in Boise, Idaho (208-388-2323). The settlement and motion are also available for viewing on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

YOU ARE FURTHER NOTIFIED that the Commission is not bound by any settlement reached by the Parties. Pursuant to Rule 276, the Commission will independently

review any settlement proposed to determine whether the settlement is just, fair and reasonable, and in the public interest, or otherwise in accordance with law or regulatory policy. The Commission may accept the settlement, reject the settlement, or state additional conditions under which the settlement will be accepted. IDAPA 31.01.01.276.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the settlement filings in Case No. IPC-E-03-13. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in the Joint Motion for Acceptance of Settlement, and that the issues raised by the proposed settlement may be processed under **Modified Procedure** (i.e., by written submission rather than by hearing). IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comment have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or comments are received within the deadline, the Commission may consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.204.

NOTICE OF EXPEDITED COMMENT/PROTEST PERIOD

YOU ARE FURTHER NOTIFIED that due to the reconsideration timeframes set forth in *Idaho Code* § 61-626, the Commission finds that a shortened comment/protest period is required in this case. Thus, the **deadline for filing written comments or protests** with respect to the proposed settlement is **Wednesday, September 1, 2004**. IDAPA 31.01.01.202.02. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning the proposed settlement must be mailed to the Idaho Public Utilities Commission and Idaho Power Company at the following addresses:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W. WASHINGTON STREET
BOISE, ID 83702-5983

BARTON L. KLINE
IDAHO POWER COMPANY
PO BOX 70
BOISE, ID 83707-0070
Email: bkline@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

NOTICE OF VACATED PREFILE DATES

YOU ARE FURTHER NOTIFIED that, pursuant to the Order set forth below, the Commission has chosen to vacate the prefile deadlines set forth in its Notice of Scheduling issued August 2, 2004. However, the Commission retains the September 10, 2004 hearing date in the event live testimony is needed. We find that no party to this proceeding will be prejudiced by our decision and that it is in the best interest of all involved to accommodate the Parties' attempts to settle this matter.

ORDER

IT IS HEREBY ORDERED that the Joint Motion for Acceptance of Settlement be processed under Modified Procedure as set forth above. Comments should be submitted no later than September 1, 2004.

IT IS FURTHER ORDERED that the current dates for prefiled direct and rebuttal testimony on reconsideration are hereby vacated. However, the Commission reserves the current hearing date of September 10, 2004 for possible hearing if live testimony is needed.

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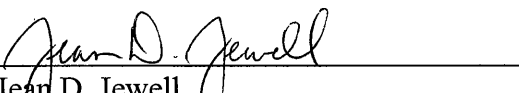
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 18th
day of August 2004.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER

Out of the Office on this Date
DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:IPCE0313_settlemnt_ntc

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